

A vertical decorative bar on the left side of the slide, consisting of a short orange segment at the top and a long dark blue segment below it.

Q1 2016 Earnings Release

May 10th, 2016

Forward-Looking Information

This presentation has been prepared by Hanon Systems ("the Company"). This presentation may include statement of future expectations and other forward looking statements which are based on management's views and assumptions and involve unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward looking by reason of context, the use of words like "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar expressions identify forward looking statements. This presentation is being presented solely for your information and is subject to change without notice. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, actuality, fairness, or completeness of the information presented.

The Company, its affiliates or representatives accept no liability whatsoever for any losses arising from any information contained in the presentation. This presentation does not constitute an offer or invitation to purchase or subscribe for any shares of the Company, and no part of this presentation shall form the basis of or be relied upon in connection with any contract or commitment.

Any decision to purchase shares of the Company should be made solely on the basis of information, which has been publicly filed with the Korea Stock Exchange. The contents of this presentation may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. If you have any related questions to this material, please contact IR department.



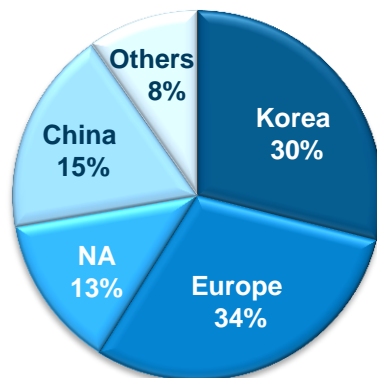
First Quarter, 2016 Financials

Q1 Key Note

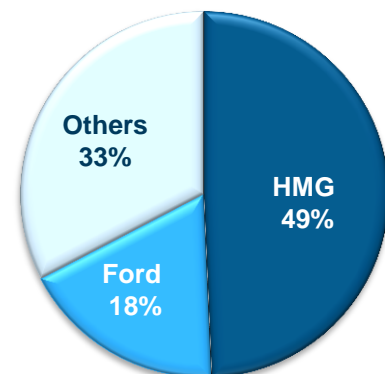
- Strong growth YoY
- Accelerated cost efficiency
- Start on quarterly dividends

Q1 Sales Breakdown

By Region















By Customer



2015 Q1
50%

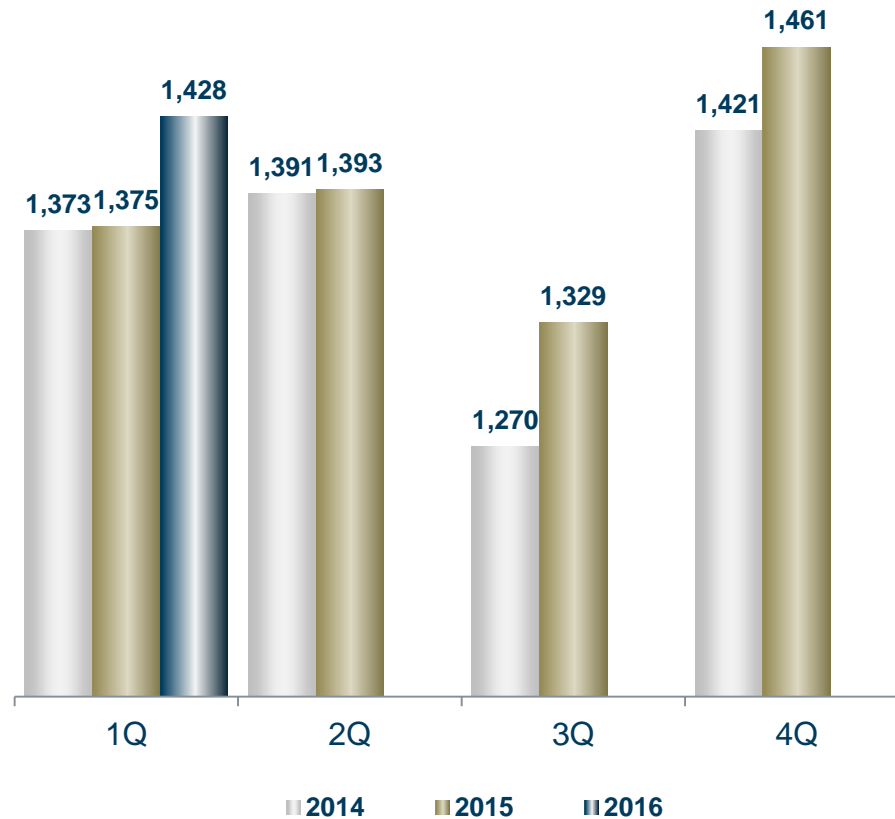
Q1 2016 Key Financial Metrics

(KRW in Billions)	Q1 2016	YoY		QoQ	
		Q1 2015	B/(W)	Q4 2015	B/(W)
Sales	1,428	1,375	 53	1,461	 (33)
Gross Profit <i>Margin (%)</i>	233 16.3%	217 15.7%	 17 +0.6%p	249 17.1%	 (16) -0.7%p
SG&A (Incl R&D Exp) <i>% of Sales (%)</i>	(129) (9.0%)	(136) (9.9%)	 8 +0.9%p	(129) (8.8%)	 0 -0.2%p
Operating Income <i>Margin (%)</i>	105 7.3%	80 5.8%	 26 +1.5%p	121 8.3%	 (16) -0.9%p
Net Income <i>Margin (%)</i>	72 5.1%	60 4.4%	 12 +0.7%p	73 5.0%	 (0.4) +0.1%p
EBITDA <i>Margin (%)</i>	152 10.6%	123 8.9%	 29 +1.7%p	165 11.3%	 (13) -0.7%p

Favorable FX and business equation contributed on Improvement

Quarterly Sales Status

(KRW in Billions)



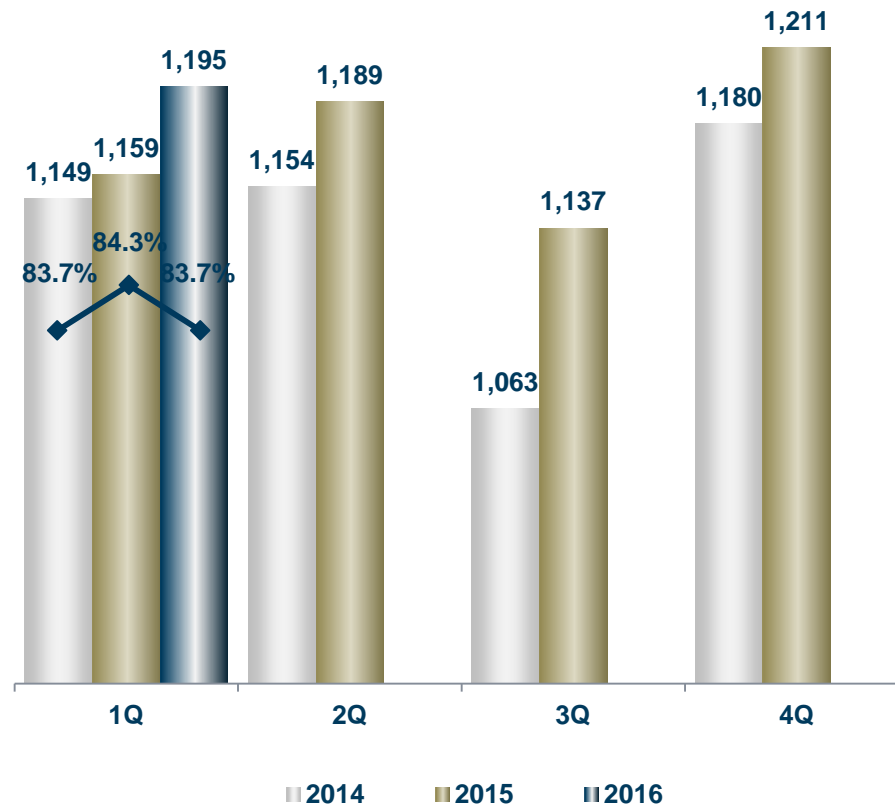
Comment

- Revenue was KRW 1.43 trillion, a 3.8% year-over-year growth
- Revenue growth supported by favorable FX, partially offset by low volume in Korea and China
- Lower sales in January and February rebounded in March

Sales increase due to favorable exchange rate impact

Quarterly COGS Status

(KRW in Billions)



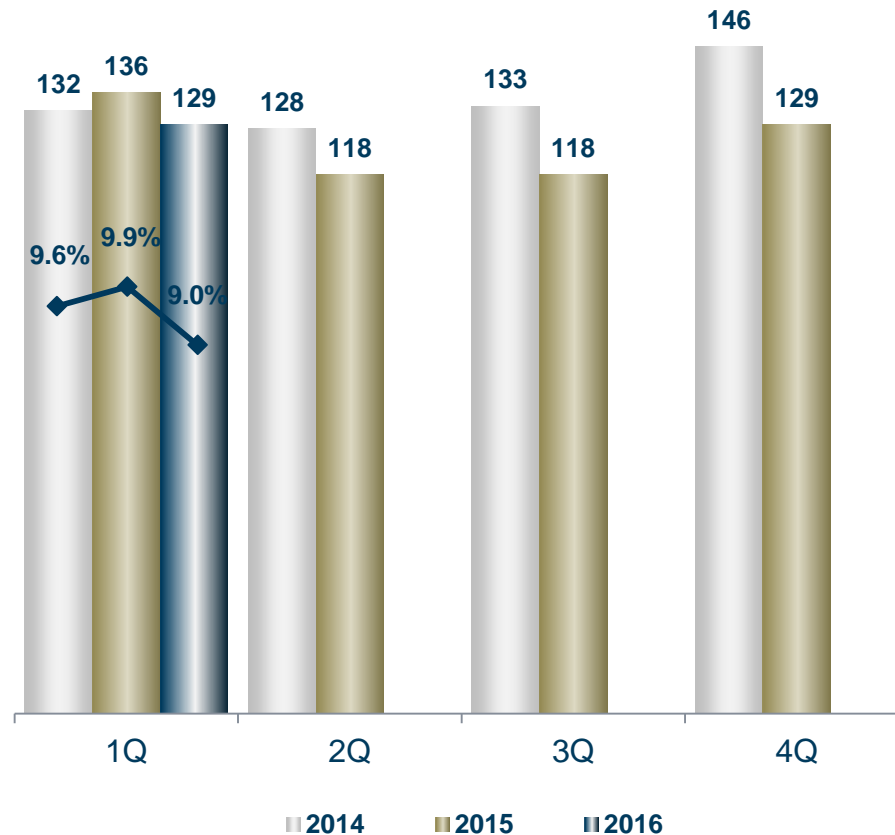
Comment

- 60bp improvement
 - Material rate improvement 100bp driven by FX and material cost saving
 - Labor and overhead efficiency improvement 80bp especially for EU, China and NA region
 - D&A and other one-time cost (-120bp) such as project launch, restructuring cost and etc.

Better operational performance due to ongoing cost cutting efforts

Quarterly SG&A Status

(KRW in Billions)



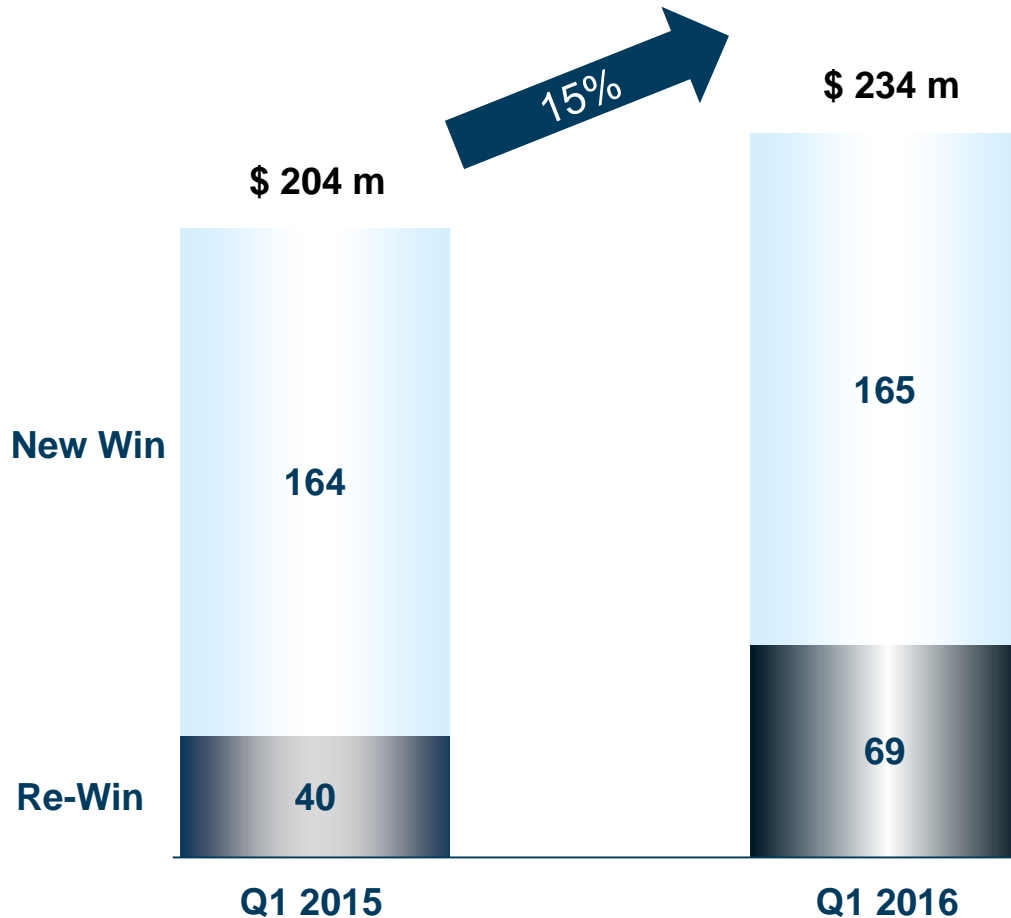
Comment

- 1Q16 spending is 8bil better than 1Q15 (improved 90bp of sales revenue)
 - Cost down factors 16bil
 - . Admin. 14bil
 - . Outbound freight costs 2bil
 - Cost increase factors (8bil)
 - . Fx impact (5bil)
 - . Quality and other costs inc. (3bil)

Favorable SG&A performance partially offset by one-off item

New Business Win Update

Year-Over-Year New Business Wins Status



- Total New business win increased by \$30 mil in Q1 2016
- Non-HMG new business win increased by \$137m (New win 58%, Re-win 42%)

- **Sales rebound in March expected to continue in Q2**
- **Accelerating Product Group organization synergy**
- **Reinforcing basic operation management and proactive action to the operational risks**



Appendix.

Q1 2016 Balance Sheet

(K-IFRS / KRW in Billions)

Balance Sheet

	Q1 2016	2015YE
Cash and cash equivalent	540	447
Account receivable	1,154	1,135
Inventories	418	382
Property and equipment	1,085	1,093
Intangible assets	227	207
Other assets	211	195
Total assets	3,636	3,459
Account payable	1,086	1,055
Debt	510	401
Other liabilities	264	204
Shareholders' equity	1,719	1,745
Non-controlling interests	57	55
Total liabilities & shareholders' equity	3,636	3,459

Cash and Debt

Cash Balance		(as of Mar 31, 2016)
Cash		540
Debt		510
Net Cash		30
Leverage		(as of Mar 31, 2016)
Last 12 Months EBITDA		563
Debt / EBITDA		N/A
Net Debt / EBITDA		N/A

Stable cash creation leading to a strong balance sheet



Thank You